



S.O.S.: STOP OVER-SPENDING ACT OF 2006



SPENDING RESTRAINT - DEFICIT REDUCTION - BUDGET ENFORCEMENT - FISCAL RESPONSIBILITY

THE PROBLEM: SPENDING IS OUT OF CONTROL

The Budget System Is Broken and Ineffective

- The Budget Enforcement Act (which included statutory caps on discretionary spending) expired in 2002 and has not been renewed.
- Congress has failed to pass a final Budget Resolution for three of the past five years.
- Last year's reconciliation bill saved \$39 billion, compared to the last reconciliation bill we did 7 years ago that saved \$118 billion in constant 2005 dollars over five years.
- There are no consequences if Congress does not adhere to recommended budget constraints.
- There are no consequences if Congress increases deficit spending.
- There are no provisions in place to get us to a balanced budget.
- *Essentially, Congress and the Administration operate under a "free pass" to spend.*

Budgetary Gimmicks and a Lack Of Financial Discipline Contribute To Unrestrained Spending

- In recent years, nearly 20% of all discretionary spending has been designated as emergency and is outside the caps.
- Emergency spending is not offset - it is pure deficit spending and has led to "shadow" budgets.
- The President and Congress have used the emergency spending process to pay for items that should be in the normal budget process.
- Congress uses the spending reconciliation process (a process designed to save money) to expand or launch new mandatory spending programs.

Current Spending Levels Are Unsustainable; The Resulting Debt Threatens Our Economic Stability And That Of Our Children And Grandchildren

- Our nation is facing significant short-term deficits assumed at \$360B in FY07.
- In two short years, the Baby Boom generation will begin to retire, which will lead to skyrocketing costs in Social Security and Medicare.
- In fact, the Medicare program is expected to be insolvent within the next 7 years.
- Long-term entitlement obligations will overwhelm federal resources when Baby Boomers retire. Within the next 75 years, federal obligations will cost U.S. taxpayers \$46.4 trillion. To put that in perspective, our nation has collected \$40 trillion in taxes over the last 217 years combined.

THE SOS SOLUTION: A “BIG BANG” APPROACH TO SPENDING RESTRAINT

Reduces the Deficit and Effectively Balances the Budget

- **The SOS Act establishes a new and more comprehensive Gramm-Rudmanesque deficit reduction mechanism. Unlike the 1985 version, the Gregg mechanism addresses entitlement spending – the largest share of the budget.**
 - ✓ **Defines deficit reduction targets, as a share of the U.S. economy (GDP).**
 - ✓ **Puts us on a path to an essentially balanced budget (0.5% of GDP) by 2012.**

Brings Back Budget Discipline And Eliminates Gimmicks

- **The SOS Act reinstates statutory discretionary caps – caps that both the President and Congress would be required to abide by.**
- **The SOS Act builds in emergency funding assumptions within those caps.** No longer will emergency spending be “off the books” deficit spending. Embedded in those assumptions is that within 3 years the emergency funding levels return to historical levels (approximately \$30 billion).
- **The SOS Act prevents reconciliation from being used as a mechanism to dramatically expand mandatory spending.**

Establishes Consequences To Overspending

- **The SOS Act establishes across-the-board reductions in discretionary spending if Congress fails to adhere to the statutory caps.**
- **The SOS Act requires Congress, if deficit reduction targets are not met, to reduce the rate of growth of mandatory spending,** either through an automatic, expedited reconciliation process, or if Congress fails to act, through an across-the-board reduction in mandatory spending.
- **The SOS Act creates a new point of order against mandatory spending,** if the Medicare program (the first of the three major entitlement programs expected to reach insolvency thresholds) is on track to insolvency within the next 7 years.

Eliminates Wasteful Spending

- **The SOS Act establishes a Line Item Veto/Expedited Rescission process to quickly and effectively eliminate wasteful spending.**
- **The SOS Act establishes a Commission on Accountability and Review of Federal Agencies to look for fraud, waste, abuse, and duplication across federal agencies and programs** and requires Congress to act on the recommendations of the Commission regarding programs that should be eliminated or realigned.

Addresses Long-Term Entitlement Insolvency Issue

- **The SOS Act creates an Entitlement Solvency Commission** and requires the Commission to make legislative recommendations to save the entitlement programs from financial ruin and requires Congress to act upon those recommendations under expedited fast track procedures.

Streamlines Budget Process

- **The SOS Act includes biennial budgeting,** converts annual budget, appropriations, and authorizing budget process into a two year cycle. The first year would be reserved for the Budget and Appropriations process. During the second year, Congress would conduct oversight and authorize legislation.
- **The SOS Act makes it easier for Congress to pass reconciliation bills** –legislation that statutorily saves money.



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- 1. Reinstates Statutory Caps on Discretionary Spending**
- 2. Reduces Deficit as % of GDP Through Gregg Mechanism**
- 3. Improves Line-Item Veto/Expedited Rescission Process**
- 4. Reviews New Entitlement Spending, Via Medicare Trigger**
- 5. Creates Commission on Accountability of Federal Agencies**
- 6. Creates Commission on Entitlement Solvency**
- 7. Includes Biennial Budgeting**
- 8. Reforms Budget Resolution & Reconciliation Processes**